



# Memorandum

To : Tony Candela  
Deputy Director, Specialized Services Division

Art Lopez  
Deputy Director, North/Central Division

From : Lori Bruno, Audit Manager  
Audit Services

Date : May 28, 2009

Subject : **Real-Time Captioning Services--San Francisco and Greater East Bay District Review Results**

Control #: V.204

This memorandum is to inform you of issues identified during our review of the approval and use of service provider [REDACTED] who provided real-time captioning (RTC) services to DOR consumers, but was neither confirmed as a legitimate ISP or CRP vendor. In January 2008, Audit Services was asked by [REDACTED], Chief Deputy Director, to review whether the service provider was properly approved by the San Francisco (SF) and Greater East Bay (GEB) District Offices and whether the service provider billed DOR properly.

For the period of February 2007 through January 2008, the San Francisco and Greater East Bay Districts authorized [REDACTED] \$236,925 to provide RTC services for DOR consumers attending computer classes at Computer Technologies Program (CTP), Berkeley for an Office Skills Training (OST) and Networking and Technical Support Training (NTST) scheduled 1:00pm-4:30pm, Monday through Friday. During this period, [REDACTED] received payments totaling \$147,849 through January 10, 2008; and, recently she received additional payments totaling \$9,921 for invoices submitted in November 2008 and January 2009. Since the initial audit request, [REDACTED] has received payments totaling \$225,756.

The significant payment amounts to an individual vendor prompted concerns within DOR management as it was assumed [REDACTED] was an Individual Service Provider. However, since [REDACTED] acknowledged that she also enlisted at least eight other RTC providers who provided consumer services through DR297B authorizations issued to her, she would not have met the ISP qualifications; she also stated she would not have agreed to the maximum \$35 ISP rate. Thus, we considered vendor approval criteria based on CRD requirements as part of our determination of results of the review.

## **Results**

Based on our review of the information and data obtained, and the interviews conducted with the Districts and program administrative staff; and [REDACTED], and [REDACTED], CTP, we identified the following issues:

### **Vendor Approval Process**

1. The SF and GEB Districts did not follow DOR procedures regarding the approval of the RTC vendor [REDACTED] ([REDACTED]) to provide services, resulting in the use of a non-authorized vendor. In order for [REDACTED] to be an approved vendor with DOR, appropriate procedures must be followed including obtaining required approvals for all For-Profit entities through the District Administrator and the applicable Deputy Director.

#### **San Francisco District**

- a. The SF District did not follow DOR procedures regarding approval of the RTC vendor.
  - The SF counselor ([REDACTED]) inappropriately agreed to approve and authorize [REDACTED] to provide RTC services for DOR consumers attending the Computer Technologies Program, Berkeley (CTP) at a rate of \$200/hr (less \$25 if paid within 30 days) with a minimum of 3 hours even though she was not formally approved to provide consumer services. In reviewing e-mails received from [REDACTED], we noted the counselor incorrectly indicated that only a STD. 204 Payee Data Record form with the Federal ID# is needed to be vendorized. [REDACTED] already had a STD. 204 on file since she had provided consumer services to the District through a Service Order, so she assumed she was an approved vendor. However, the approval was not consistent with the DOR CRD policy requiring that For-Profit vendors must be approved by the District Administrator and Deputy Director.

- In the majority of the case notes, the RTC services were authorized citing reasonable accommodation and fair and reasonable costs per state procurement/pricing manual/SF DOR pricing info. However, this practice is inconsistent with DOR policies regarding the use of only DOR approved vendorized or ISP service providers with established DOR approved rates.
- b. The Rehabilitation Supervisors ( [REDACTED] ) and the District Administrator ( [REDACTED] ) did not actively confirm that [REDACTED] was an approved service provider, and inappropriately continued to approve the RTC consumer service authorizations without questioning or conducting further inquiries.
- Since the counselor did not have Post Approval authority, the Rehabilitation Supervisors were required to approve all services authorized by the counselor. However, the Rehabilitation Supervisors approved the authorizations without proactively reviewing and/or confirming that the services, fees, and vendor approval were approved, reasonable, and appropriate. Further, Rehabilitation Supervisor [REDACTED] stated he continued to approve the authorization for services based on authorizations previously approved by the prior Rehabilitation Supervisor [REDACTED].
  - According to consumer case notes ( [REDACTED] ), the District Administrator approved an authorization in October 2007 for RTC services based on information from the counselor and the Rehabilitation Supervisor. In our interview, she stated she assumed [REDACTED] was an approved vendor and thus did not question further. She admitted she did not follow procedures but could not explain why she did not.
- c. The District staff did not refer to their District listing of Agencies Vendorized Fee-for-Service by DOR and ISP Panel, which would have easily confirmed that [REDACTED] was not an approved vendor since she was not on either list. Also, the District did not consult with the Deputy Director, CRD, and the Deaf and Hard of Hearing Section when the need for RTC services was first requested to ensure the approved DOR vendorization process was followed or that alternative options could have been considered.
- d. As a result of accepting the terms submitted by [REDACTED], the DOR may have significantly overpaid for RTC services. Based on information obtained regarding average rates, we received the following:

- San Francisco Mayor's Office hourly rates vary from \$85-\$200;
- DHHS provided average hourly RTC rates that typically range from \$100-\$150.
- An alternative vendor ([REDACTED]), who was also inappropriately approved solely with a STD. 204, was authorized at \$150 hour.
- The individuals who provided RTC services in place of [REDACTED] received payment at \$125/hour, with [REDACTED] retaining the balance of the amount paid.

[REDACTED] \$200 rate and 3-hour minimum were at the top scale for RTC services, which she acknowledged in an e-mail to the SF counselor. Due to the inappropriate approval by the SF counselor, the DOR missed an opportunity to negotiate more reasonable rates/hours for consumer services.

#### Greater East Bay District

e. The GEB District staff did not follow DOR procedures to confirm that [REDACTED] was an approved vendor to provide consumer services.

- The GEB counselor ([REDACTED]) inappropriately authorized [REDACTED] to provide RTC services for a consumer [REDACTED]. Specifically, the GEB counselor contacted the SF counselor to arrange to share the cost since [REDACTED] was already providing RTC services for a SF consumer attending the same CTP NTST training class. She and the Rehabilitation Supervisor requested that the SF counselor forward a copy of the vendor approval paperwork to their office. However, they never reviewed the paperwork submitted. After questions were raised from CO, they subsequently found out that only the STD. 204 had been faxed to the Office Services Supervisor II ([REDACTED]).
- The case notes authorizing [REDACTED] to provide RTC services for the consumer attending the six-month NTST training program starting in October 2007 only indicated that she was being paid \$100/hour, with a total amount of \$58,800. The case notes did not indicate that the rate was based on the arrangement to share the cost of \$200/hr for [REDACTED] with the SF District. The case note was approved by the Rehabilitation Supervisor ([REDACTED]) and the District Administrator ([REDACTED]) without additional confirmation.
- Although the Rehabilitation Supervisor expressed concern regarding the cost of the RTC services during the interview, each of the GEB

staff stated they relied on the SF District's prior use of [REDACTED] as confirmation that she was an approved vendor, assuming all documentation and DOR approval processes had been completed and verified and did not perform any independent confirmation procedures. GEB staff did not communicate directly with [REDACTED] nor did they communicate with their CRD Resources Specialist to confirm that she was on an approved DOR vendor list.

### Vendor Authorizations

2. The SF District did not always issue authorizations prior to the RTC service provision. Further, payments were issued for dates or services that may not have been appropriately authorized, or were provided by another individual who was not specifically authorized. As a result, services were rendered by the vendor without an issued DR297 Authorization and expenditures may not have been appropriately approved, such as:

| Case note<br>Authorization<br>Date   | Authorization<br>Effective/End<br>Dates | Authorization<br>Create Date | Service<br>Provision<br>Date(s) | Authorization<br>Amount  | Comment  |
|--|---|------------------------------|---------------------------------|--|--|
| 2/8/07   | 2/2/07-6/30/07                          | 2/9/07                       | 2/1/07                          | \$600  | Backdated authorization; Service provision date not properly authorized                          |
| 2/22/07  | 2/15/07-2/15/07                         | 3/5/07                       | 2/15/07                         | \$600  | Backdated authorization  |
| 9/17/2007<br><br>Subsequent case note date to split authorization cost with GEB dated 10/24/07 | 9/24/07-6/30/08                         | 10/31/07                     | 9/24/07-                        | \$117,600<br><br>Subsequently split with GEB consumer at \$58,800 each | Backdated authorization.   |
| 1/12/09  | 1/12/09-6/30/09                         | 1/26/09                      | 1/21/09                         | \$300  | Backdated authorization; issued for six months for service with specific date (class graduation) |

Per RAM Chapter 12, a vendor is prohibited from providing a service or goods to the consumer without prior receipt of an authorizing document from DOR.

- The Department also authorized RTC services provided at graduation ceremonies in 11/13/2007 for DOR consumers but was not clearly identified in the case notes; however, it appeared there may have been informal authorizations based on e-mail correspondence. It is not apparent whether this should be considered part of the authorized services.
  - [REDACTED] informed the SF counselor via e-mail that another individual would be providing RTC services to the consumers but that [REDACTED] would submit the invoice for payment for services authorized to her since she was already the approved vendor. The SF counselor was aware that several individuals were working with [REDACTED] in providing the service but continued to specifically indicate that [REDACTED] was authorized to provide the services. It is questionable whether the payment of an individual from another vendor's authorization is an allowable State procurement practice.
3. In our review of the support provided by [REDACTED], the District paid \$4,400 (200 hours) towards RTC services cancellation fees during April 2007 – February 2008. [REDACTED] required a 2-business day minimum cancellation policy, and for each cancellation billed DOR at the three hour minimum rate. Since we did not interview staff to identify the reason why [REDACTED] was not notified timely to prevent the cancellation fees, we are unable to provide information as to why this occurred. However, when appropriate procedures are in place and followed by the parties involved (consumer and/or CTP), this would facilitate that appropriate timely notification is provided to avoid preventable cancellation fees.
4. The SF District continued to authorize RTC services for the consumers attending classes at the Computer Technologies Program (CTP) even after initially informing CTP that the RTC services were temporary until the consumers received their hearing aid devices and FM systems. It is unclear whether this was a reasonable and appropriate expenditure of consumer case service funds.
- In February 2007, the SF District counselor and the CTP Coordinator decided that the RTC services was a temporary solution while awaiting the consumer's hearing aids so there is no delay in services. In April 2007, after the consumers received their hearing aids, the SF counselor approved continuation of RTC services based on a request from CTP to extend RTC services to the end of the class stating that the consumers relied heavily on the captioner and the RTC services have been extremely

successful. However, the need for RTC services may be questionable considering:

- The SF District procured over \$32,711 in hearing aid devices for all of the consumers that attended CTP.
- On 8/14/2007, in correspondence between the CTP Coordinator and the SF District counselor, he indicated that he didn't think a consumer ( [REDACTED] ) would need RTC services for NTST training scheduled for 9/24/07-4/30/2008. However, RTC services were authorized just in case for \$117,000 and ultimately provided for the entire course at CTP (half the authorized amount was subsequently allocated to a GEB consumer). Further, RTC services were again authorized and provided for this same consumer in another CTP course scheduled from 10/1/08 - 10/31/08 for \$11,900, and ultimately invoiced for \$10,900 less \$1,494 for 30 day payment discount (net \$9,406).
- Due to the lack of case documentation regarding the progress made by the consumers in the CTP courses after they received their hearing aid devices, it is difficult to ascertain whether the RTC services were truly required or whether alternative cost effective services could have been considered if in fact they were needed by consumers.

5. The SF District did not take adequate procedures in order to take advantage of the prompt-payment discount stated on the service provider's invoice.

The payment terms by [REDACTED] included a \$25/hour discount payment incentive if paid within 30 days from the date of the invoice (\$175/hour vs. \$200/hour). However, improper handling of several invoices by the SF District has not allowed for prompt payment of invoices, including:

- Two invoices for RTC services paid in March 2007 were delayed because the SF District had not produced the DR297B authorizations until the invoices were received, and it appears they did not properly submit the discount invoices to CO Accounting Section to facilitate expedited payment, resulting in two missed prompt payment discounts of \$75.00 each.
- Two additional RTC invoices which included net discount amounts totaling \$3,850 were missed because it appears the SF District did not properly submit the discount invoices to the CO Accounting Section to facilitate expedited payment.

- One invoice submitted for \$20,900 was paid late due to the following:
  - [REDACTED] notified the SF District that she had not received payment for the invoice and thus submitted a second invoice dated 11/7/07, which was processed for payment on 11/15/07.
  - A prompt payment discount of \$1,187.50 could not be applied since the original invoice was not processed timely. The first invoice dated 8/20/07 was later found in a file in the SF District but it is not known why it was not processed.
  - The reason for the delay in processing the second invoice was that the SF District had not created the DR297B authorization for these services and had to create one dated 11/7/07 for the period 7/9/07-12/31/07.

Per RAM Chapter 12 a vendor is prohibited from providing a service or goods to the consumer without prior receipt of an authorizing document from DOR, in accordance with CCR Title 9, Section 7311. Further, RAM 13 outlines procedures for districts to follow to ensure proper handling of invoices to facilitate timely processing in order to maximize discounts.

6. Additional concerns were identified in the course of this review, including:

- Subsequent to the District interviews, we received information that [REDACTED]. [REDACTED] was authorized to provide services subsequent to Executive DOR Management approval. This management approval was given to allow [REDACTED] to provide services until the end of the training classes in June 2008 so as not to discontinue RTC services in the middle of the training. We obtained the invoices paid in November 2008 and January 2009 and reviewed the FCS case notes for the authorization/approvals for RTC services to gather information and noted the following concerns:
  - The SF counselor authorized \$11,900 for [REDACTED] to provide RTC services for a consumer ([REDACTED]) in the CTP NTST class for October 2008, stating in the case notes that [REDACTED] is on the State Price Schedule and there were no other options available. The authorization was approved by both the Rehabilitation Supervisor [REDACTED] and the District Administrator.

Further, the SF and GEB counselors each authorized \$300 for [REDACTED] to provide RTC services for two consumers attending a CTP graduation ceremony on January 21, 2009, with both stating in

the case notes that they are approving [REDACTED] as she is on the State Price Schedule and that no other options were available. Per an e-mail in the GEB consumer case file, the request was initiated by CTP staff; he stated he would contact the captioning agency to check availability.

It is unclear why the District approval occurred several months after they had been notified that concerns were raised that [REDACTED] [REDACTED] was not properly approved to provide consumer services. Further, it is unclear why this service was necessary since the consumer had received his hearing aid and appeared may have already been through this course in the prior fiscal year; the case notes did not contain adequate information to justify the need for the RTC services and attending the course for another month. [REDACTED] [REDACTED] was ultimately paid \$9,406 and [REDACTED] received payment for \$535 respectively.

In addition, the SF authorized [REDACTED] using the State Price Schedule as she was added effective August 2008. However, proper procurement approval procedures were not followed in the use of the State Price Schedule. RAM Chapter 9 requires that quotes/offers must be received from three (3) SPS suppliers, and that formal approval must be obtained from the DA, Budget Office and Central Office Procurement Section. Further, it is questionable whether RTC services for consumers can be procured using the State Price Schedule.

- The SF District authorized [REDACTED] for on-site RTC for a DOR consumer on 11/3/2006 to attend a JOBS Group Meeting held in the district office using a Service Order. As a result of this action, the SF counselor inappropriately assumed [REDACTED] was an approved consumer service vendor. Also, Service Orders are for administrative use only and cannot be used for consumer services.
- As indicated in case note dated 1/12/09 for consumer [REDACTED], it appears the SF counselor may not be aware of the accurate definition of similar (comparable) benefits. She indicates that she is authorizing RTC services for a graduation event on 1/21/09, and that the cost is a similar benefit because the GEB is covering half the cost for a consumer in the same program for a total amount of \$600. However, this interpretation of similar benefits is not consistent with regulations.

### **Recommendation**

District staff should become knowledgeable on and adhere to policies and procedures in the areas of procurement and DOR vendor approval process, authorizations, the determination and documentation of consumer services needs, and the appropriate review and approval process of consumer services at the supervisory and management levels.

To determine the actions needed to facilitate compliance, the Districts should review the corresponding DOR policies and procedures as applicable to the issues identified. As appropriate, the Districts should request training on the topics discussed to ensure proper understanding of the DOR policies and procedures.

So that we may close this assignment, please provide a response with the outcome of any follow-up related to the issues above within 90 days of this memo. If you have any questions, please contact [REDACTED], Auditor, at [REDACTED] or [REDACTED]; or me at [REDACTED] or [REDACTED]@dor.ca.gov.

We wish to thank the San Francisco and Greater East Bay District staff for their participation and assistance in this review. We hope this memo provides you with useful information to assist in making improvements within DOR operations.

cc: Luciana Profaca, Chief Deputy Director